SASKATCHEWAN GRAIN CAR CORPORATION

ANNUAL REPORT

For the Year Ended
July 31, 1991

92-05616/

Saskatchewan Grain Car Corporation

To Her Honour
the Honourable Sylvia Fedoruk
Lieutenant-Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the annual report of the Saskatchewan Grain Car Corporation for the year ending July 31, 1991, including the financial statements therefore, duly certified by Skilnick and Partners, the Corporation's external auditor and in the form approved by the Treasury Board, all in accordance with The Saskatchewan Grain Car Corporation Act, 1981.

I have the honour to be Madam,

Your obedient servant,

Bernhard H. Wiens
Minister of Agriculture and Food
and Minister in Charge
of the Saskatchewan Grain
Car Corporation

Saskatchewan Grain Car Corporation

DIRECTORS

Honourable Bernhard H. Wiens

Stuart Kramer, Regina

Gordon Keats, Melville

MANAGEMENT

Stuart Kramer, Regina
Acting General Manager

Donald Shawaga, Melville
Fleet Superintendent

Sandra Konechny, Melville
Secretary

Saskatchewan Grain Car Corporation

Annual Report 1991

The Saskatchewan Grain Car Corporation's hopper car fleet continued to be used in the Canadian Wheat Board's Western Division during the 1990-91 crop year. Saskatchewan Grain Car Corporation had 473 hopper cars on Canadian National lines and 523 on Canadian Pacific lines devoted to grain service. The percentage of cars on the Canadian National and Canadian Pacific was based on the total bushels handled by each carrier in the 5 year period October, 1974 to September, 1979. Every two years this formula may be re-applied to the most recent 5 years to determine a possible re-allocation of cars. A request for re-allocation was received during the 1988-89 crop year which caused some Federal cars to be transferred from Canadian Pacific to Canadian National but no Saskatchewan Grain Car Corporation's cars were re-allocated.

The Corporation's office is located in Melville, Saskatchewan. The office is operated by two staff members.

The Corporation previously extended the Operating Agreement, originally signed with the Canadian National, Canadian Pacific and Canadian Wheat Board in February, 1981, until a new agreement is ratified. This Agreement allows for the 6 major grains, wheat, oats, barley, rye, flax and rapeseed to be carried within the Western Division. Other grains may be handled with authorization from the Corporation. In the 1990-91 Crop Year the Corporation authorized one additional movement as well as movement of grains covered under Schedule 1 of Bill C155, Western Transportation Act, to ensure utilization of the equipment was as high as possible.

During 1990-91 the Corporation's computerized car monitoring system continued to follow the day-to-day movements of the fleet highlighting inactive cars, misloads, or activities contrary to the Corporation's contractual arrangements with the railroads and the Canadian Wheat Board. A bi-monthly summary of statistical reports is obtained to help ensure the fleet is used to capacity.

The following charts compare operations of Saskatchewan Grain Car Corporation's fleet in the 1990-91 and the 1989-90 crop years.

Major Grains Transported in Western Division	**1990-91** (Tonnes)	**1989-90** (Tonnes)
Wheat, Durum	1,017,200	941,790
Oats	10,480	18,560
Barley	226,760	230,130
Rye	13,070	14,760
Flax	16,110	16,410
Rapeseed	97,160	109,340
	1,380,780	1,330,990

Saskatchewan Grain Car Corporation

The Corporation's hopper cars moved 1.38 million tonnes of major grains in 1990-91 compared to 1.33 million tonnes in 1989-90 within the Western Division. This represents a 4% increase for Saskatchewan Grain Car Corporation movements from 1989-90.

Saskatchewan produced the second largest crop, on record, of 24.8 million tonnes of the six major grains and oil seeds in 1990 compared to 18.2 million tonnes in 1989.

Canadian grain exports during the 1990-91 crop year were 29.2 million tonnes compared to 25.0 million tonnes in 1989-90.

In addition to the 6 major grains moved to ports, approximately 72,000 tonnes of other crops such as alfalfa pellets, malt, bran, etc. were moved within the Western Division. In addition 52,300 tonnes of grain and grain products travelled out of the Western Division to the U.S.A. and Eastern Canada to meet export opportunities. This makes a grand total of 1,505,080 tonnes handled by Saskatchewan Grain Car Corporation hopper cars in the 1990-91 Crop Year. (An increase of 6% in total handling over last year's movements).

Origin of Movements	**1990-91**	**1989-90**
	%	%
Saskatchewan	53.5	49.7
Alberta	29.0	32.5
Manitoba	17.2	17.2
British Columbia	.3	.6
	100.0	100.0

Destinations within Western Division	**1990-91**	**1989-90**
	(Trips)	(Trips)
Thunder Bay	6,781	5,713
Vancouver	7,575	7,737
Prince Rupert	2,130	2,670
Feed Plants, etc.	873	730
	17,359	16,850

No cars moved to the Port of Churchill due to the inability of this line to handle hopper cars.

Round Trip Car Cycles
(Average elapsed time for cars to load, unload and reload)

To Port:	**1990-91**	**1989-90**
	(Days)	(Days)
Thunder Bay	17.0	20.0
Vancouver	22.8	23.2
Prince Rupert	21.0	19.4
Average - All Ports	20.2	21.4

The Corporation's average round trip car cycle decreased to 20.2 days in 1990-91 from 21.4 days in the previous year.

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Delay in Car Movements	1990-91 (Number of cars - % of Fleet)	1989-90 (Number of cars - % of Fleet)
CN	39 - 8.2	29 - 6.1
CP	60 - 11.5	62 - 11.8
BOTH	99 - 9.9	91 - 9.1

This chart on delayed cars is based on a definition of a delayed car as one which has not had a change in status for more than 10 days. These delays were calculated bi-weekly and were averaged to give an annual figure. The percentage figure was based on the number of cars on each line, that is 523 on CP and 473 on CN.

Damaged Cars

Railway	1990-91	1989-90	Total Since Built
CN	6	7	69
CP	4	6	54
BOTH	10	13	123

Damage to cars was caused by derailments, side-swipes, loading and unloading accidents, etc. Two cars were declared damaged beyond economical repair during 1984-85, one during 1986-87 and one during 1990-91. The depreciated value of $180,426.01 for the four cars was forwarded to the Corporation by the railway and placed in a special Reserve Fund set aside to purchase replacement cars when it is economically advisable to do so. The four cars damaged on CP lines were in service before the close of the Crop Year. Six cars on the CN Rail will be repaired and in service in the later part of 1991.

Alternate Use of Cars

The Corporation's hopper cars were utilized for additional movements, as follows:

From August/90 - July/91

Canadian National moved 550 carloads and Canadian Pacific 66 carloads of grain and grain products from Thunder Bay and other points in Western Canada to various points in the United States of America and Eastern Canada.

Total revenue received for Saskatchewan Grain Car Corporation cars usage was $146,394.00.

Alternate usage of Saskatchewan Grain Car Corporation hopper cars produced an increase in revenue of $53,880.00 (58%) over the year prior.

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Auditor's Report 1991

To the Board of Directors,
Saskatchewan Grain Car Corporation,
Melville, Saskatchewan

We have examined the statement of financial position of the Saskatchewan Grain Car Corporation as at July 31, 1991, and the statements of revenue and expenditure, and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Board. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at July 31, 1991 and the results of its operations and the changes in financial position for the year then ended in accordance with the accounting policies disclosed in Note 1 to the financial statements.

Skilnick + Partners

Melville, Saskatchewan
September 9, 1991

SKILNICK & PARTNERS
Chartered Accountants

Saskatchewan Grain Car Corporation

Statement 1 — Statement of Financial Position

July 31, 1991. (Note 2)

	Operating Fund		Capital Fund		Reserve Fund	
	1991	1990	1991	1990	1991	1990
ASSETS						
Current Assets						
Cash	5,951	203	Nil	Nil	33	6
Short-term investments, at cost (Note 5)	1,403,982	1,235,685	Nil	Nil	291,037	228,217
Accounts receivable						
- accrued interest on short-term investment	10,135	124	Nil	Nil	2,102	Nil
- miscellaneous	6,399	5,508	Nil	Nil	Nil	Nil
	1,426,467	1,241,520	Nil	Nil	293,172	228,223
Fixed assets (Note 1(b) & (e))	Nil	Nil	54,214,423	54,214,423	Nil	Nil
Less accumulated depreciation (Note 1(e))	Nil	Nil	3,666,660	3,666,660	Nil	Nil
	1,426,467	1,241,520	50,547,763	50,547,763	293,172	228,223
LIABILITIES AND EQUITY						
Current liabilities						
Accounts payable	1,333	458	Nil	Nil	Nil	Nil
Long-term loan from the Heritage Fund (Note 3)	Nil	Nil	46,349,629	46,349,629	Nil	Nil
Surplus - (Deficit) Statement 3	1,425,134	1,241,062	4,198,134	4,198,134	293,172	228,223
	1,426,467	1,241,520	50,547,763	50,547,763	293,172	228,223

(See Accompanying Notes to the Financial Statements)

Saskatchewan Grain Car Corporation

Statement 2 — Statement of Revenue and Expenditure

For the Year Ended July 31, 1991.

	Operating Fund (Note 1)	Capital Fund (Note 1)	Reserve Fund (Note1)	Total 1991	Total 1990
Revenue					
Hopper car lease CN & CP Railways (Note 1 (d) (ii))	146,343	Nil	Nil	146,343	92,310
Grant - Consolidated Fund - Department of Agriculture & Food (Note 4 (b))	9,444	Nil	Nil	9,444	3,005
Interest - on short term investments	144,017	Nil	27,908	171,925	171,677
Compensation for destroyed car	Nil	Nil	37,063	37,063	Nil
Miscellaneous revenue	Nil	Nil	Nil	Nil	635
	299,804	Nil	64,971	364,775	267,627
Expenditures					
Salaries	90,581	Nil	Nil	90,581	86,383
Board of Directors' expenses	100	Nil	Nil	100	300
Administration expenses (See Schedule)	25,051	Nil	22	25,073	27,315
	115,732	Nil	22	115,754	113,998
Excess of Revenue over Expenditure (Expenditure over Revenue) for the year	184,072	Nil	64,949	249,021	153,629

(See Accompanying Notes to the Financial Statements)

Saskatchewan Grain Car Corporation

Statement 3 — Statement of Surplus

For the Year Ended July 31, 1991.

	Operating Fund (Note 1)	Capital Fund (Note 1)	Reserve Fund (Note 1)	Total 1991	Total 1990
Surplus beginning of year	1,241,062	4,198,134	228,223	5,667,419	5,513,790
Excess of revenue over expenditure (expenditure over revenue) for the year	184,072	Nil	64,949	249,021	153,629
Surplus (Deficit), end of year	1,425,134	4,198,134	293,172	5,916,440	5,667,419

(See Accompanying Notes to the Financial Statements)

Saskatchewan Grain Car Corporation

Statement 4 — Statement of Changes in Financial Position

For the Year Ended July 31, 1991.

	1991	1990
Cash provided by (utilized in) operating activities:		
Earnings before extraordinary items	249,021	153,629
Add: Charges not requiring current cash payments	Nil	Nil
	249,021	153,629
Net change in non-cash working capital balances related to operations - see summary below	(12,129)	37,431
Cash provided by operations	236,892	191,060
Cash provided by (utilized in) investment activities decrease (increase) in S.T. Investments	(231,117)	(194,946)
Cash provided by (utilized in) investment activities	(231,117)	(194,946)
Cash provided by (utilized in) financing activities decrease in long-term debt	Nil	Nil
Cash utilized in financing activities	Nil	Nil
Net increase (decrease) in cash during year	5,775	(3,886)
Cash position at beginning of year	209	4,095
Cash position at end of year	5,984	209

Summary of Changes in Non-Cash Working Capital

	1991	1990
Accrued interest on short term investments	(12,113)	11,906
Miscellaneous receivables	(891)	28,492
Accounts payable	875	(2,967)
	(12,129)	37,431

(See Accompanying Notes to the Financial Statements)

Saskatchewan Grain Car Corporation

Notes to Financial Statements

July 31, 1991.

1. **Significant Accounting Policies**

These financial statements have been prepared in accordance with accounting policies that are considered appropriate for organizations of this type. The significant accounting policies are as follows:

a) The accounts of the Corporation are maintained in three segments:

i) Capital Fund

1. The fixed assets (grain cars) of the Corporation are reported in a Capital Fund, along with the related liability to the Heritage Fund.

2. Since no significant sustainable revenue is attributable to the grain cars, the recording of depreciation in the accounts has been discontinued.

ii) Reserve Fund

All cash receipts from the railways by way of compensation for irreparable damage to grain cars will be retained in the Fund and will be used solely for the purchase of replacement cars. All interest earned from these cash balances will be retained in this Fund. To date, four cars have been irreparably damaged and have not yet been replaced.

iii) Operating Fund

The operating costs and revenue for the Corporation are recorded in the Operating Fund.

b) Purchase of Grain Cars:

The purchase of the grain cars is grouped as a "pool". Purchase costs of cars, together with transportation and inspection expenses are capitalized. The cost of the pool will not be adjusted for irreparably damaged cars nor for replacements purchased from the Reserve Fund.

c) Purchase of Other Fixed Assets:

Purchases of office equipment will be expensed in the year of acquisition to the Operating Fund.

d) Operating Revenue:

i) Operating Agreement

According to the terms of the Operating Agreement between Saskatchewan Grain Car Corporation, Canadian National Railway Limited, Canadian Pacific Limited and the Canadian Wheat Board, the railways have the right to manage and operate the Corporation's hopper car fleet. Revenue earned by the hopper cars in the movement of wheat, oats, barley, rye, flaxseed and rapeseed in the Western Division shall accrue to the railways for their own account.

ii) Hopper Car Use Agreement

During the year Saskatchewan Grain Car Corporation continued Agreements with the Canadian Pacific Limited and Canadian National Railway Limited providing for alternate use of the hopper cars. These Agreements provided for alternate usage to the extent the hopper cars were surplus to requirements to transport western grains as set out in the operating agreement.

Terms of the Agreement with Canadian Pacific Limited provide for usage in transporting potash and fertilizer within Canada and grain to points in Eastern Canada and the United States at a daily rate of $17 per hopper car.

Terms of the Agreement with Canadian National Railway Limited provide for usage in transporting grains from Thunder Bay, Ontario to points in Eastern Canada and the United States at a daily rate of $17 per hopper car.

e) Depreciation of Grain Cars:

The policy of recording depreciation was discontinued in 1984. This change in accounting policy was necessitated by the change in the terms of the repayment of the long term debt described in note 3, which eliminated the payment of the grant to the Corporation by the Department of Agriculture and Food. Previously depreciation was offset against this grant.

2. **Status of the Corporation**

The Saskatchewan Grain Car Corporation was established by Order-in-Council 1787/79 on October 2, 1979, and continues under the provisions of The Saskatchewan Grain Car Corporation Act.

Saskatchewan Grain Car Corporation

3. **Long-Term Debt**

Up to and including March 31, 1983, net operating expenses and debt charges on the long-term loan have been covered annually by an equal grant from the Department of Agriculture and Food from funds appropriated by the Legislature. Effective March 31, 1983, debt charges and principal repayment terms were significantly changed.

By Order-in-Council 1164/83 dated August 3, 1983, the terms and conditions relating to the loan from the Heritage Fund were amended as follows:

a) The principal amount outstanding of the loan shall be repaid by the 31st day of March, 2011. The Corporation shall have the right to repay from time to time any part of the principal amount outstanding prior to March 31, 2011.

b) The loan shall not bear any interest from and after March 31, 1983.

4. **Related Party Transactions**

a) Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms.

Other amounts due to (from) related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

b) Effective April 1, 1990 the Department of Agriculture and Food has funded the office rental charge by direct grant to Saskatchewan Property Management Corporation. During the current year rental charges of $9,444 have been paid by grant on behalf of the Corporation.

5. **Short Term Investments**

Operating Fund - Balance of $1,403,982 is held at the Royal Bank in Consolidated Offset Balance Concentration Account. These funds are then pooled and invested by the Provincial Government. Interest is based on the 30 day borrowing rate of the Consolidated Fund and thus fluctuates monthly. Interest is credited to the account quarterly on the 15th day after the interest period.

5. **Short Term Investments** - Continued

Reserve Fund - Balance of $291,037 is held at the Royal Bank in a Consolidated Offset Balance Concentration Account. These funds are then pooled and invested by the Provincial Government. Interest is based on the 30 day borrowing rate of the Consolidated Fund and thus fluctuates monthly. Interest is credited to the account quarterly on the 15th day after the interest period.

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Schedule of Administration Expenses

For the Year Ended July 31, 1991.

	1991	1990
Operating Fund		
Bank charges	95	181
Computer services and equipment	6,134	8,214
Office supplies and equipment rent	303	149
Printing and copying	1,542	2,328
Professional services	2,650	3,025
Rent - office space - Note 4(b)	9,444	8,574
Telephone and telex	3,614	3,655
Travel and sustenance	1,269	1,189
Totals - To Statement 2	25,051	27,315
Reserve Fund		
Bank charges - To Statement 2	22	Nil

(See Accompanying Notes to the Financial Statements)